



CARTERET COUNTY BEACH COMMISSION MEETING

Minutes

Pine Knoll Shores Town Hall

February 8, 2016, 2 pm

Attendance.

Commission Members Harry Archer, Larry Baldwin, Larry Corsello, Douglas Guthrie, Joel Fortune, Ken Jones, Jim Normile, John Wooten, secretary Greg Rudolph, Governmental Affairs Officer Nicole McGuinness, and the general public. Commissioners A.B. "Trace" Cooper (chair) and Jimmy Farrington were absent.

- (1) Call to Order. Because of Chairman Cooper's absence, secretary Rudolph called the meeting to order.
- (2) Approval of Minutes - Regular Beach Commission Meeting (December 7, 2015). – The secretary asked the Commission if there were any corrections, additions, or comments regarding the December 7th regular session minutes presented in the agenda packet. Member Archer subsequently made a motion to adopt the minutes as presented, which was seconded by member Baldwin and unanimously approved.
- (3) 2016 Beach Commission Officer Elections. – Member Jones initiated the discussion by summarizing that member Cooper was willing to serve another term as Chairman if the Beach Commission desired. Member Jones asked if anyone else had nominations for that position or objections to member Cooper serving another term as chairman. Member Baldwin moved to close nominations. The motion was seconded by member Archer and with no other nominations presented; the motion on the floor was unanimously approved. Member Archer subsequently moved Member Jones name to be placed in nomination as Vice Chairman for 2016. Member Fortune seconded that motion. Member Wooten moved to close nominations and with no other nominations presented; the motion on the floor was unanimously approved. Vice Chairman Jones subsequently asked for permission to go into closed session to discuss personnel performance pursuant to G.S. 143-318.11 following the "Other Business" agenda topic (number 7). This request was granted by consensus.
- (4) Room Occupancy Tax (ROT) and "Beach Fund" Update. – Secretary Rudolph recognized and welcomed new Beach Commission member and Emerald Isle town commissioner, Jim Normile. Mr. Rudolph then mentioned he thought since December was mild and warm we would have an uptick on the occupancy tax, but we were down by -3%. However, in November we were up by +18%. If you look at both November and December 2015 combined, we are up +9.1% compared to November and December 2014. December 2015 was \$89,000 total, but in July it is \$1.8 million for comparison sake. The beach nourishment reserve is sitting at about \$12.1 million.

- (5) **Shore Protection Office Budget for FY 2016-17.** – The secretary discussed the outline of the budget packet and proceeded to open a Powerpoint presentation summarizing; (1) the major accomplishments of 2015, (2) major objectives ahead in 2016, (3) revenues, (4) expenditures, and (5) the reserve balance as it stands currently, proposed for FY 2016-17, and 5 years into the future (see <http://www.carteretcountync.gov/DocumentCenter/View/3122>). Of course the Commission's role is to approve an expenditure budget for the County Board's consideration, however there is a re-formatted and robust program summary included in the Commission's agenda packet emphasizing our main points of focus and what we have ahead of us.

For today's slideshow, calendar year 2015 was highlighted by the following issues/topics, which for the sake of discussion was "graded" subjectively using a plus (+), neutral (0), or minus (-) mark. The secretary and the Beach Commission subsequently discussed the Master Plan (programmatic Environmental Impact Statement), Endangered Species (loggerhead and Red Knot Rufa), Flood Insurance Rate Map (FIRM) Update, Shallow Draft Navigation Channel and Lake Dredging Fund, 2017-2022 Outer Continental Shelf Oil and Gas Leasing Program, Beach Monitoring, State Sea-Level Rise Report, and Administrative accomplishments.

For 2016 our main focus will likely be centered upon; the Master Plan (release of programmatic Environmental Impact Statement), Endangered Species, FIRM Update, Morehead City Harbor, 2017-2022 Outer Continental Shelf Oil and Gas Leasing Program, Beach Monitoring, Dredged Material Management Plan (DMMP), Shallow-Draft Channels.

Transitioning to the budget using a traditional revenue, expenditures, and ending balance approach; the secretary reviewed the occupancy tax revenue over the past 23 years. In the past and currently, we utilize a +3% annual growth rate and if we look at the past 23 calendar years of revenue, we can see a general +3.5% - +6% annual increase with a few noticeable spikes that are graphically presented in the Powerpoint presentation – a dip in 1996 attributed to hurricane *Bertha* in July, a big upward spike in the 2005 – 2008 timeframe attributed to changes in the school calendar (one of our biggest one year surges) and the national economy, then a big dip in 2008 and 2009 related to the National economic recession, a gradual upward trend in 2010 and 2011, and a slight dip in calendar 2012 that was attributed to the absence of the Sheraton in the wake of hurricane *Irene* in 2011. For calendar 2013, the occupancy tax was up by +6.55% and was correlative to; (a) improving economy, (b) the new collection from the "less than 5" demographic, and (c) the opening of the DoubleTree in the former structure of the Sheraton. For 2014, the occupancy tax was up by +10.89% and is likely correlative to; (1) a continuing upward trend in the overall economy, (2) more awareness and hence more collections of the "less than 5 collection" in its second year, and (3) a resurgence of the hotel/motel sector. This past year (2015), the growth rate was +4.88% which falls more in line with the linear growth we had in the late 1990s/early 2000s. If you look from 1993 to 2015 we are up by +4.4% average growth. The total revenue corrected is +154%. In 1993 at 6% we collected \$2.2 million but now are collecting \$6.5 million.

In terms of analyzing the occupancy tax collection by sector (hotel/motel and condo/cottage); 2015 compared to 2014 only hotel/motel equaled an increase of +3.53%. 2015 compared to 2014 for only condo/cottage equaled an increase of +2.59%. The secretary continued the revenue discussion by looking at the percentage of occupancy tax collected from each political jurisdiction (or cluster thereof), and Emerald Isle has always been the leading revenue source for occupancy taxes, which makes sense considering their huge geography in addition to other attributes. The collection is always "credited" to the reporting office – not the actual physical location of the rental

(e.g., a rental company located in Town "W" also has properties in Towns "X, Y, and Z"; yet all the collections are attributable to Town W).

In terms of expenditures, the Beach Commission absorbs 100% of the Shore Protection Manager's salary and benefits. The Beach Commission absorbs half of the Governmental Affairs Officer's salary and benefits and the Carteret County General Fund absorbs the other half. Proposed Operations are up this year totaling \$29,000. This is a 40% increase to mainly accommodate the travel of the Governmental Affairs Officer to Raleigh to lobby the North Carolina General Assembly. Contracted services holds the biggest budget allocation, representing 76% of the entire expenditure budget, totaling \$741,295. This year it is decreased by -14.12% because the Master Plan is coming to a close and attorney's fees will be decreasing. The contracted services cluster is always one of our largest items and includes the following six components; (1) beach monitoring (\$185,675), including the optional post-storm survey, (2) a retainer for the law firm Kilpatrick Townsend (\$125,000), (3) Moffatt & Nichol (\$20,000), (4) Geodynamics to maintain our GIS-based website (\$7,500), (5) Master Plan (\$400,000), (6) Office Cleaning Service (\$3,120).

And lastly another expenditure for the Shore Protection Office/nourishment reserve includes the County's Administrative fee, which is stipulated in the occupancy tax law as 3% of the first \$500,000 collected and 1% of remaining x 50%. You divide that number in half because the Tourism Development receives half and the Shore Protection Office gets half. The total is \$38,681.

The secretary explains that in terms of expenditures, proposed personnel costs are anticipated to rise by +0.64%. Operations costs by +39.94%. Contracted services will decline by -14.12% as proposed, and the County Admin Fee is +2.60%. The proposed 2016-2017 budget (\$976,238) is about -10% lower than the current budget. The long range forecast shows that if the Shore Protection Office continues to receive 50% of the 6% occupancy tax by fiscal year 2021-2022; we could have a forecasted reserve of \$31,056,115.

Vice Chairman Jones asks for a motion to accept the budget as proposed and forward it to the Carteret County Commissioners for their ultimate approval. Commissioner Archer made the motion and Commissioner Guthrie seconded the motion. After no further discussion for the time being, the Beach Commission ultimately approved the Shore Protection Office Budget for the fiscal year 2016-2017 subsequent to the recommendations provided in closed session (see (7) below).

- (6) **Public Comment.** – Pine Knoll Shores Commissioner John Brodman asked who manages the reserve balance of the beach fund. The secretary answered Carteret County government manages the balance of the fund. Reporter Brad Rich asked the reasoning behind going into closed session. The secretary answered that the Beach Commission needed to discuss personnel issues.
- (7) **Closed Session pursuant to G.S. 143-318.11 for the permitted purpose of discussing personnel.** – Following a closed session (personnel evaluation), the Beach Commission instructed the secretary to incorporate a \$5,000 net (after tax) bonus into the salary line item in the FY 2016-17 budget to be provided to the Shore Protection Manager.
- (9) **March 2016 Meeting Date (March 28, 2016).** – It was agreed upon that the next Beach Commission meeting would be held on March 28th at 2:00 pm, Pine Knoll Shores Town Hall.
- (10) **Adjourn.** – Vice Chairman Jones asked for any additional comments and with no additional comments forthcoming, the meeting was adjourned.

- prepared by NM